

THE COUNCIL OF THE CITY OF NEW YORK

Hon. Christine C. Quinn  
Speaker of the Council

Hon. Darlene Mealy  
Chair, Committee on Contracts



# Hearing on the Fiscal 2014 Preliminary Budget & the Fiscal 2013 Preliminary Mayor's Management Report

## Contract Budget

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## Fiscal Year 2014 Contract Budget

The New York City Charter mandates the preparation of a Contract Budget to identify expenditures for contractual services.<sup>1</sup> The Charter defines "contractual services" as any *technical, consultant* or *personal service* provided to the City by means of a contract. The Contract Budget is a subset of the Other Than Personal Services (OTPS) portion of the City's Expense Budget. The Administration prepares a Contract Budget twice each fiscal year and submits it to the Council with the Preliminary and Executive Budgets. The Council adopts the entire budget (Expense, Revenue, Contract and Capital) before the end of each fiscal year.

The Contract Budget sets forth anticipated contractual spending for each agency by unit of appropriation, broken down by object codes, and shows the number of contracts per category and the corresponding dollar value anticipated to be expended in each category. The Contract Budget is a plan -- an agency's blueprint or forecast of what services it anticipates it will need to purchase during the next fiscal year.

The Fiscal 2014 Preliminary Contract Budget totals \$11.01 billion for 16,583 contracts. These planned contract expenditures constitute 15.7 percent of the total Fiscal 2014 Preliminary Budget of \$70.1 billion. Overall, the Fiscal 2014 Preliminary Contract Budget is \$31.64 million or 0.29 percent more than the Fiscal 2013 Adopted Contract Budget of \$10.99 billion.

The Fiscal 2013 Adopted Contract Budget totaled approximately \$10.99 billion for 17,528 contracts. The Fiscal 2013 Contract Budget, as of the February 2013 Financial Plan is \$12.5 billion – an increase of \$1.56 billion, or 14.2 percent, over the Adopted Contract Budget. Such change is common due to the recognition of State and Federal Categorical Grants during the course of the year, which fund significant portions of a number of contracts, particularly in the social services area.

## Contract Budget Highlights

The table, "Contract Budget by Category" presents the Fiscal 2013 Adopted and Modified Contract Budgets, and the Fiscal 2014 Preliminary Contract Budget, compared with the Fiscal 2013 Adopted Contract Budget. The contract categories include groups of related Object Codes. Several observations are worthy of note:

- The largest category of contract spending is for education-related purposes, which totals \$4.99 billion or 45 percent of the total Contract Budget.
- The largest spending increase is for Professional Services-Education (object code 685). Under these contracts, physical and occupational therapists, nurses, and other professionals provide related services for students with special needs. By federal and state mandates, the Department of Education must provide all related services that are documented on a student's Individual Education Plan (IEP). The growth in this category from Fiscal 2013 to Fiscal 2014 is \$158.2 million. Additionally, Professional Services Curriculum & Development (object Code 689) is projected to increase by 97 percent from \$31.1 million to \$61.4

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<sup>1</sup> City Charter §§100.h and 104.

million. Contracted providers deliver services to teachers and other staff, including professional development and curriculum development. When compared to the Fiscal 2013 current modified budget however, object code 689 is lower in Fiscal 2014.

- Contractual spending on equipment maintenance and repair is budgeted to decrease in Fiscal 2014 compared to the Fiscal 2013 Adopted Budget by 0.42 percent. It is noteworthy that the Fiscal 2013 budget for this category grew by \$117.9 million, or 20 percent, between Adoption and the February Financial Plan, particularly in the area of “Maintenance and Operation of Infrastructure” (object code 676).
- Some categories of contract spending decline from Fiscal 2013 to Fiscal 2014 because City Council initiatives are not baselined. One prominent example is “Payments to Cultural Institutions” (object code 667), which shows a decline of 53.9 percent, or \$22.9 million. In Fiscal 2013 the Council restored funding to the Department of Cultural Affairs for cultural programs and organizations, which was not baselined.
- Spending in the Personal Services category for legal services, auditing and accounting, computer consultants, security guards, temporary workers and cleaning services is projected to decrease by 5.6 percent or \$31.9 million next year compared to Fiscal 2013 Adopted Budget. Again, however, the increase in the Fiscal 2013 Budget between the Adopted budget and the February Financial Plan is quite significant at \$221.9 million, or 38.6 percent. Nearly half of the increase comes in the “Professional Services – Other” (object code 686) category.

## Contract Budget by Category

*Dollars in Thousands*

Obj. Code	Category	Fiscal 2013 Adopted	Fiscal 2013 Modified	Fiscal 2014 Preliminary	Change from Fiscal 2013 Adopted	
<b>EDUCATION-RELATED</b>						
668	Bus Transportation-Reimbursable	\$59	\$53	\$53	(\$6)	-10.05%
669	Transportation of Pupils	1,178,419	1,242,601	1,176,180	(2,239)	-0.19%
670	Payments to Contract Schools	2,366,169	2,234,641	2,318,194	(47,975)	-2.03%
678	Payments to Delegate Agencies	339,977	378,154	305,464	(34,514)	-10.15%
685	Professional Services-Education	940,823	1,105,641	1,099,065	158,242	16.82%
689	Prov. Svcs Curriculum & Development	31,153	62,582	61,415	30,262	97.14%
	<b>Subtotal</b>	<b>\$4,856,601</b>	<b>\$5,023,672</b>	<b>\$4,960,371</b>	<b>\$103,770</b>	<b>2.14%</b>
<b>EQUIPMENT</b>						
602	Telecommunications Maintenance	\$59,513	\$49,643	\$49,020	(\$10,493)	-17.63%
607	Maint. & Repairs Motor Vehicles	14,034	16,658	13,416	(618)	-4.40%
608	Maintenance & Repairs General	170,979	166,350	116,721	(54,258)	-31.73%
612	Office Equipment Maintenance	14,306	15,904	12,628	(1,678)	-11.73%
613	Data Processing Equipment	168,587	192,719	197,637	29,050	17.23%
676	Maintenance & Oper. of Infrastructure	150,058	254,076	185,626	35,568	23.70%
	<b>Subtotal</b>	<b>\$577,477</b>	<b>\$695,351</b>	<b>\$575,048</b>	<b>-\$2,429</b>	<b>-0.42%</b>
<b>GENERAL and OTHER</b>						
600	Contractual Services-General	\$428,423	\$1,207,231	\$454,939	\$26,516	6.19%
615	Printing Contracts	31,195	36,684	31,825	631	2.02%
620	Municipal Waste Export	309,759	313,158	336,483	26,724	8.63%
629	In-Rem Maintenance	920	992	1,857	937	101.86%
633	Transportation Expenditures	13,768	17,257	13,707	(62)	-0.45%
665	Legal Aid Society	98,109	98,431	94,181	(3,928)	-4.00%
667	Payment to Cultural Institutions	42,644	43,524	19,658	(22,986)	-53.90%
671	Training for City Employees	14,443	27,866	15,509	1,066	7.38%
	<b>Subtotal</b>	<b>\$939,261</b>	<b>\$1,745,146</b>	<b>\$968,159</b>	<b>\$28,898</b>	<b>3.08%</b>
<b>FINANCING and INVESTMENT COSTS</b>						
617	Payments to Counterparties	\$70,767	\$70,767	\$66,617	(\$4,150)	-5.86%
618	Financing Contracts	79,504	85,181	89,420	9,915	12.47%
626	Investment Costs	7,779	7,779	7,779	0	0.00%
	<b>Subtotal</b>	<b>\$158,050</b>	<b>\$163,727</b>	<b>\$163,816</b>	<b>\$5,766</b>	<b>3.65%</b>

**Contract Budget by Category** (Continuation from previous page)*Dollars in Thousands*

Obj. Code	Category	Fiscal 2013 Adopted	Fiscal 2013 Modified	Fiscal 2014 Preliminary	Change from Fiscal 2013 Adopted	
<b>PERSONAL SERVICES</b>						
619	Security Services	\$90,786	\$108,172	\$89,773	(\$1,013)	-1.12%
622	Temporary Services	32,835	48,082	35,723	2,888	8.80%
624	Cleaning Services	20,228	26,671	21,959	1,731	8.56%
681	Prof Services Accounting/Auditing	25,353	21,246	26,279	926	3.65%
682	Professional Services-Legal	101,137	104,589	93,556	(7,582)	-7.50%
683	Professional Services-Engineering	18,002	42,561	5,762	(12,240)	-67.99%
684	Professional Services-Computers	107,856	133,313	98,143	(9,713)	-9.01%
686	Professional Services-Other	179,281	312,739	172,305	(6,975)	-3.89%
	<b>Subtotal</b>	<b>\$575,478</b>	<b>\$797,373</b>	<b>\$543,500</b>	<b>-\$31,978</b>	<b>-5.56%</b>
<b>SOCIAL SERVICES</b>						
616	Community Consultants	\$20,823	\$22,316	\$15,337	(\$5,486)	26.35%
641	Protective Services For Adults	19,606	19,606	19,613	7	0.04%
642	Children's Charitable Institutions	459,929	459,829	452,579	(7,351)	-1.60%
643	Child Welfare Services	211,669	220,979	210,962	(707)	-0.33%
647	Home Care Services	263,407	295,837	263,407	0	0.00%
648	Homemaking Services	18,486	18,486	18,486	0	0.00%
649	Non-Grant Charges	11,139	11,357	11,894	754	6.77%
650	Homeless Family Services	354,937	390,635	384,439	29,502	8.31%
651	Aids Services	271,989	260,958	264,262	(7,728)	-2.84%
652	Day Care of Children	712,784	767,592	686,288	(26,496)	-3.72%
653	Head Start	132,557	193,947	132,557	0	0.00%
655	Mental Hygiene Services	618,848	646,728	628,445	9,597	1.55%
657	Hospital Contracts	130,536	130,469	127,877	(2,658)	-2.04%
658	Special Clinical Services	10,879	10,894	11,968	1,090	10.02%
659	Homeless Individual Services	264,643	276,052	276,357	11,714	4.43%
660	Economic Development	28,332	31,390	21,229	(7,103)	25.07%
662	Employment Services	151,047	156,995	149,347	(1,700)	-1.13%
688	Bank Charges Public Assistance Account	395	380	395	0	0.00%
695	Youth Programs	197,190	209,093	131,365	(65,825)	33.38%
	<b>Subtotal</b>	<b>\$3,879,197</b>	<b>\$4,123,544</b>	<b>\$3,806,806</b>	<b>(\$72,391)</b>	<b>-1.87%</b>
	<b>TOTAL</b>	<b>\$10,986,064</b>	<b>\$12,548,813</b>	<b>\$11,017,701</b>	<b>\$31,637</b>	<b>0.29%</b>

## Largest Contract Budget Categories

The following table shows the ten Contract Budget object codes with the greatest projected spending levels for Fiscal 2014. These contract categories constitute over 71 percent of the total contract budget. The largest single category is Payments to Contract Schools, approximately \$2.3 billion, which constitutes nearly 21 percent of the budget and is entirely within the Department of Education. The Department of Education is also responsible for the second and third largest contract categories, Transportation of Pupils \$1.2 billion and Professional Services -Education \$1.1 billion.

Other large contract categories include Mental Hygiene Services, in the Department of Health and Mental Hygiene (DOHMH); Day Care of Children, in the Administration of Children Services (ACS); Children’s Charitable Institutions (foster care placements) in ACS; Homeless Family Services; Municipal Waste Export contracts in the Department of Sanitation; and Payments to Delegate Agencies in the Miscellaneous budget. The sixth largest category is Contractual Services – General; many agencies account for spending in this category, with the ACS’ contracts accounting for roughly one-fifth of the total.

### Largest Contract Budget Categories

*Dollars in Thousands*

Obj. Code	Category	Contract Budget	% of Total Contract Budget	Major Agency
670	Payments to Contract Schools	\$2,318,194	21.04%	DOE
669	Transportation of Pupils	1,176,180	10.68%	DOE
685	Professional Services-Education	1,099,065	9.98%	DOE
652	Day Care of Children	686,288	6.23%	ACS
655	Mental Hygiene Services	628,445	5.70%	DOHMH
600	Contractual Services-General	454,939	4.13%	ACS
642	Children's Charitable Institutions	452,579	4.11%	Various
650	Homeless Family Services	384,439	3.49%	DHS
620	Municipal Waste Export	336,483	3.05%	DSNY
678	Payments to Delegate Agencies	305,464	2.77%	Various
<b>TOTAL (Top Ten)</b>		<b>\$7,842,076</b>	<b>71.18%</b>	
<b>Total Fiscal 2014 Preliminary Contract Budget</b>		<b>\$11,017,701</b>	<b>100.00%</b>	

## Largest Contract Budget Agencies

In the Fiscal 2014 Preliminary Budget ten agencies constitute 93 percent of the total Contract Budget. The Department of Education alone accounts for 45% of the total. Below is a list of the top ten agency contract budgets, which total approximately \$10.2 billion.

### Ten Largest Agency Contract Budgets, FY 2014

*Dollars in Thousands*

Agency Code	Agency	Contract Budget	% of Total Contract Budget
040	Department of Education	\$4,997,578	45%
068	Administration for Children's Services	\$1,591,917	14%
816	Department of Health & Mental Hygiene	\$950,914	9%
069	Department of Social Services	\$698,475	6%
071	Department of Homeless Services	\$668,723	6%
827	Department of Sanitation	\$418,253	4%
098/099	Miscellaneous/Debt Service	\$376,721	3%
260	Department of Youth and Community Development	\$192,680	2%
125	Department for the Aging	\$189,813	2%
858	Department of Info Tech and Telecommunications	\$159,319	1%
<b>TOTAL (Top Ten)</b>		<b>\$10,244,393</b>	<b>93%</b>
<b>Total Fiscal 2014 Preliminary Contract Budget</b>		<b>\$11,017,701</b>	<b>100%</b>

## Appendix A: Contract Budget by Object Code, 2012-2014

<i>Dollars in Thousands</i>	2012	2013	2013	2014	* Difference	
	Actual	Adopted	Modified	Preliminary	2013 - 2014	
<b>Contract Budget by Contract Category</b>						
600- Contractual Services-General	\$512,718	\$428,423	\$1,207,231	\$454,939	\$26,516	6.19%
602- Telecommunications Maintenance	36,049	59,513	49,643	49,020	(10,493)	-17.63%
607- Maint. & Repairs Motor Vehicles	16,265	14,034	16,658	13,416	(618)	-4.40%
608- Maintenance & Repairs General	129,115	170,979	166,350	116,721	(54,258)	-31.73%
612- Office Equipment Maintenance	9,630	14,306	15,904	12,628	(1,678)	-11.73%
613- Data Processing Equipment	178,973	168,587	192,719	197,637	29,050	17.23%
615- Printing Contracts	27,156	31,195	36,684	31,825	631	2.02%
616- Community Consultants	29,502	20,823	22,316	15,337	(5,486)	-26.35%
617- Payments to Counterparties	34,515	70,767	70,767	66,617	(4,150)	-5.86%
618- Financing Contracts	78,538	79,504	85,181	89,420	9,915	12.47%
619- Security Services	122,819	90,786	108,172	89,773	(1,013)	-1.12%
620- Municipal Waste Export	299,737	309,759	313,158	336,483	26,724	8.63%
622- Temporary Services	56,637	32,835	48,082	35,723	2,888	8.80%
624- Cleaning Services	26,270	20,228	26,671	21,959	1,731	8.56%
626- Investment Costs	7,711	7,779	7,779	7,779	0	0.00%
629- In-Rem Maintenance	1,509	920	992	1,857	937	101.86%
633- Transportation Expenditures	13,616	13,768	17,257	13,707	(62)	-0.45%
640- Social Services-General	2	0	1	0	0	
641- Protective Services For Adults	17,432	19,606	19,606	19,613	7	0.04%
642- Children's Charitable Institutions	490,777	459,929	459,829	452,579	(7,351)	-1.60%
643- Child Welfare Services	201,919	211,669	220,979	210,962	(707)	-0.33%
647- Home Care Services	283,591	263,407	295,837	263,407	0	0.00%
648- Homemaking Services	18,486	18,486	18,486	18,486	0	0.00%
649- Non-Grant Charges	10,666	11,139	11,357	11,894	754	6.77%
650- Homeless Family Services	425,876	354,937	390,635	384,439	29,502	8.31%
651- Aids Services	227,922	271,989	260,958	264,262	(7,728)	-2.84%
652- Day Care of Children	710,831	712,784	767,592	686,288	(26,496)	-3.72%
653- Head Start	147,899	132,557	193,947	132,557	0	0.00%
655- Mental Hygiene Services	586,768	618,848	646,728	628,445	9,597	1.55%
657- Hospital Contracts	123,453	130,536	130,469	127,877	(2,658)	-2.04%

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<i>Dollars in Thousands</i>	2012	2013	2013	2014	* Difference	
	Actual	Adopted	Modified	Preliminary	2013 - 2014	
658- Special Clinical Services	8,159	10,879	10,894	11,968	1,090	10.02%
659- Homeless Individual Services	271,598	264,643	276,052	276,357	11,714	4.43%
660- Economic Development	15,935	28,332	31,390	21,229	(7,103)	-25.07%
662- Employment Services	175,809	151,047	156,995	149,347	(1,700)	-1.13%
665- Legal Aid Society	93,031	98,109	98,431	94,181	(3,928)	-4.00%
667- Payment to Cultural Institutions	42,514	42,644	43,524	19,658	(22,986)	-53.90%
668- Bus Transportation-Reimbursable	0	59	53	53	(6)	-10.05%
669- Transportation of Pupils	1,096,395	1,178,419	1,242,601	1,176,180	(2,239)	-0.19%
670- Payments to Contract Schools	1,910,354	2,366,169	2,234,641	2,318,194	(47,975)	-2.03%
671- Training for City Employees	24,654	14,443	27,866	15,509	1,066	7.38%
676- Maintenance & Oper. of Infrastructure	260,411	150,058	254,076	185,626	35,568	23.70%
678- Payments to Delegate Agencies	325,600	339,977	378,154	305,464	(34,514)	-10.15%
681- Prof Services Accounting/Auditing	20,139	25,353	21,246	26,279	926	3.65%
682- Professional Services-Legal	96,124	101,137	104,589	93,556	(7,582)	-7.50%
683- Professional Services-Engineering	10,155	18,002	42,561	5,762	(12,240)	-67.99%
684- Professional Services-Computers	94,382	107,856	133,313	98,143	(9,713)	-9.01%
685- Professional Services-Education	1,089,395	940,823	1,105,641	1,099,065	158,242	16.82%
686- Professional Services-Other	247,556	179,281	312,739	172,305	(6,975)	-3.89%
688- Bank Charges Public Assistance Account	407	395	380	395	0	0.00%
689- Prov. Svcs Curriculum & Development	94,701	31,153	62,582	61,415	30,262	97.14%
695- Youth Programs	180,503	197,190	209,093	131,365	(65,825)	-33.38%
<b>Total Contract Budget</b>	<b>\$10,884,203</b>	<b>\$10,986,064</b>	<b>\$12,548,833</b>	<b>\$11,017,701</b>	<b>\$31,637</b>	<b>0.29%</b>

\*The difference of Fiscal 2013 Adopted compared to Fiscal 2014 February Plan Funding.